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No. 99-1800

Supreme Court, U.S.
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In the

Supreme Court of the United States

October Term, 1999

THEIS RESEARCH, INC.

Petitioner,

v.

NORTHERN TELECOM INC.,

Respondent

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENT NORTHERN TELECOM INC.'S OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Robert Neuner
Richard S. Clark*
Henry Y.S. Tang
BAKER BOTTS, L.L.P.
30 Rockefeller Plaza
New York, NY 10112
(212) 408-2500

Attorneys for
Northern Telecom Inc.

*Counsel of Record

21pp

STATEMENT PURSUANT TO RULE 29.6

Respondent Northern Telecom Inc. (now known as Nortel Networks Inc.) is a wholly owned subsidiary of Nortel Networks Ltd. which in turn is wholly owned by Nortel Networks Corporation.

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Pursuant to Supreme Court Rule 15, Respondent Northern Telecom Inc. ("NTI") respectfully opposes the Petition for a Writ of Certiorari submitted by Theis Research, Inc. ("TRI").

I. *THE REQUEST FOR RELIEF IS FACIALLY FLAWED*

While there is no hard and fast rule, one would expect a party seeking Supreme Court review on a petition for a writ of certiorari to state with clarity the compelling reason, under Supreme Court Rule 10, which justifies Court review.

On its face, the Petition purports to seek grant of the writ, vacatur of the judgment below, and remand for further consideration (GVR) in view of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999). Supreme Court Rule 10 contemplates, but does not mandate, review where a decision of a court of appeals "conflicts" with a relevant decision of the Court. Where a decision below was issued prior to a decision of the Court, and where the decision below "conflicts" with the later relevant decision of the Court, a GVR order may be appropriate. *See Lords Landing Village v. Continental Ins. Co.*, 520 U.S. 893, 896 (1997).

A closer reading of the Petition reveals, however, that TRI does not contend that the decision below "conflicts" with *Zurko*; to the contrary TRI *concedes* that *Zurko* is limited to "the context of a direct appeal from a patent prosecution decision." Petition at 6. In fact, the holding in *Zurko* is even

narrower than TRI concedes, being limited to PTO "denials" and the direct appeals of such denials to the Federal Circuit. It was in this narrow context, and this context alone, that *Zurko* held that the deference due to factual findings of the PTO is governed by 5 U.S.C. § 706(2)(A), (E).

Also by its express terms, *Zurko* cautions that where the appeal to the Federal Circuit is from a district court decision, § 706 does not apply, and notes that the "court/court standard of review" might apply — i.e., "the [Federal] Circuit now reviews Federal District Court factfinding using a 'clearly erroneous' standard." 527 U.S. at 164.

The present case stems from an appeal to the Federal Circuit from a decision of the District Court for the Northern District of California, holding TRI's '416 patent invalid on summary judgment for anticipation under 35 U.S.C. § 102(b). In the circumstances, TRI cannot, and indeed does not, contend that the decision below conflicts with *Zurko*.[1] A GVR order is not, therefore, appropriate in this case.

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[1] The holding in *Zurko* is even further removed from the case at bar because in addition to involving a "court/court" review, there are four additional reasons why this case has nothing to do with the issue of "deference" that might be owed to factual findings, i.e.: (i) in the district court no PTO determination of fact was relied upon or even mentioned, (ii) the district court's grant of summary judgment of invalidity was expressly grounded on a finding that there were no disputed material facts (Petition at E-7), (iii) the Federal Circuit applied a *de novo* standard of review, and (iv) the Federal Circuit ultimately agreed that there was "no genuine dispute as to the facts." Petition at B-2.

Once it is recognized that TRI is not alleging a conflict with *Zurko*, it becomes immediately apparent what actually is being asked of the Court — a GVR order so as to require the *Federal Circuit* to consider and resolve what TRI contends is an undecided question of federal law. *See* Petition at 7. Such a request runs directly contrary to the S. Ct. R. 10(c) guideline,[2] which provides for Supreme Court review where a court of appeals "*has decided* an important question of federal law that has not, but should be, settled by this Court." (Emphasis added). The very gravamen of the Petition is that the Federal Circuit has *not decided* the question presented, and that the Court should deputize the Federal Circuit for the sole purpose of obtaining an advisory opinion on a question that has no application to this case, that is untimely (not having been raised in the district court), and that in any event is unworthy of review on the merits.

II. *COUNTERSTATEMENT OF THE CASE*

Supreme Court Rule 15.2 admonishes respondents that in addition to presenting other arguments for denying the petition, they should point out any perceived misstatements of fact or law in the petition, and on failure to do so they may be deemed waived. Accordingly, NTI notes the following.

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[2] NTI is cognizant that Rule 10 is a guideline only, and that it does not fully measure the Court's discretion in exercising its jurisdiction on writ of certiorari.

The decision of the court of appeals affirming the summary judgment of invalidity was *not*, as averred in the Petition, "inconsistent with a previous determination made by the United States Patent and Trademark Office (PTO) in issuing the patent." Petition at 3. It is undisputed that the prior art upon which the holding of invalidity was based was not considered by the PTO, and hence the holding of invalidity cannot even be argued to be inconsistent with any PTO factual determination.

Also in this regard, TRI's statement that "Respondent made no showing to distinguish its [anticipating] product from the prior device considered by the PTO" is disingenuous. As will be discussed *infra*, the *reason* NTI did not made any showing (at least in the district court) to distinguish its product from the prior art device considered by the PTO was that it was not until this case reached the Federal Circuit that TRI even referred to the prior art considered by the PTO, and there urged for the first time that deference was owed to the PTO's determination to allow the '416 patent to issue. Theretofore, TRI never even mentioned the PTO-considered prior art "OPAS" device, much less describe it or urge that it was in any way relevant to the issue of anticipation. Indeed, when it belatedly argued that deference was owed to the PTO'S earlier consideration of the "OPAS" device, TRI was forced to ask the Federal Circuit to take "judicial notice" of that device.

Moreover, and contrary to the statement and implication in the Petition (at 4), the device sold by NTI more than a year prior to the critical date was not similar to the

prior art considered by the PTO. In this regard, the Petitioner takes care to list only the features of the prior art "CDR" device (i.e., that was held to anticipate) that were also present in the prior art device considered by the PTO. TRI omits from its description of the anticipatory "CDR" device the critical feature *not* found in the PTO prior art, i.e., its ability to accept coded signals entered *by the called party* in order to classify the call (for example, a pre-selected code to identify the purpose of the call). This ability was an essential *claimed* feature of the monitor of the '416 patent ("a signaling device ... for generating a plurality of *called party selected* code signals ... in order to classify the incoming calls ..." Petition at E-4), because it permitted call data (e.g., time and duration of respective calls) to be correlated with the type of call (e.g., sales inquiry, service inquiry, complaint). The prior art device considered by the PTO only permitted the entry of coded signals by the *calling* party, for example to enable the cost of the outgoing call to be billed to the call recipient. TRI argued this distinguishing feature in the PTO, and it was based upon this argument that the '416 patent was allowed to issue.

In these circumstances, Petitioner's assertion that it "argued to the Federal Circuit that deference should be given to the prior determination of the PTO" takes on a whole new meaning and significance. Far from providing a basis for preserving the stated question for appeal, it is in reality a tacit admission that no such argument was made in the district court.

It is not, therefore, surprising that TRI's bare assertion, that the "claim interpretation" made by the district court and affirmed by the Federal Circuit was inconsistent with the prior determination of the PTO, is bereft of support. There was no PTO claim interpretation, nor indeed any effort in the district court even to explain what happened in the PTO.

The device described on page 3 of the Petition is the preferred embodiment described in the '416 patent, and includes features expressly held in the courts below not to be elements of the claims. For example, and as held in the courts below, there is nothing in the claims that requires that the monitor "records the different states of an incoming line," or that it allow analysis and tracking of specific information such as how many rings it takes for a call to get answered. At most, the claims broadly call for recording of "information indicative of the usage of the telephone line." (Petition at E-4). This broad recitation was construed by the district court as follows:

> All types of line activity or modes of line use need not be monitored and recorded, so long as at least some information indicative of line usage is recorded.

Id. at E-17.

Finally, TRI's characterization of the evidence submitted by NTI to prove anticipation (*id.* at 4) cannot go unchallenged, particularly lest such challenge be waived under Supreme Court Rule 15.2. Far from being based solely

upon one "employee's declaration and judicial speculation," NTI submitted hard evidence clearly and convincingly demonstrating that the claims were fully anticipated. Here this Court need only look to the district court's detailed discussion of the law and the undisputed facts. *See id.* at E-1 to E-26.

III. *ADDITIONAL REASONS FOR DENYING THE PETITION*

As noted above, TRI purports to forego plenary review by the Court, and instead glibly requests that the decision of the Federal Circuit be vacated and that the case be remanded for further consideration in light of the Court's decision in *Dickinson v. Zurko*.

It is respectfully submitted that the standards for granting the Petition are not lessened by TRI's purported willingness to have the question presented considered in the first instance by the Federal Circuit. To the contrary, for all of the reasons set forth below that render inappropriate consideration by the Court of the question presented, consideration by the Federal Circuit is similarly unwarranted. The question presented is untimely, it is purely hypothetical, and it is otherwise unworthy of review on the merits, and these facts apply with equal force to render completely inappropriate its consideration by the Federal Circuit.

A. *The Question Presented Is Untimely*

As noted in the above Counterstatement, it was not until this case reached the Federal Circuit that TRI came forward with its "deference" argument. When TRI decided, for the first time, to present this argument to the Court of Appeals, it did not and could not point to anything in the record below to support its contention that the art considered by the PTO was cumulative of the art ultimately held to be anticipatory. To the contrary, TRI took the extraordinary tack of asking the Federal Circuit to "take judicial notice" of the prior art "OPAS" system that was described in an article cited by the PTO Examiner during the prosecution of the '416 patent. As stated in TRI's brief in the Federal Circuit:

> Pursuant to Fed. R. Evid. 201, TRI respectfully requests that the Court take judicial notice of the prosecution history, specifically the cited reference [OPAS] article.

Appellant's Brief in the Federal Circuit at 30. Since nothing had been said about the OPAS system in any witness testimony, or indeed in any district court brief by any party, TRI's desperate but misplaced reliance on Rule 201 was perhaps understandable. At the very least, however, this critical aspect of TRI's alleged reliance upon the PTO's "expertise" should have been included in TRI's Petition, and not left for clarification by Respondent NTI. This Court has consistently considered it to be critical, indeed dispositive, where the very point raised in a petition for certiorari was not even mentioned in the trial court. As noted in *Ramsey v.*

United States Mine Workers of Am., 401 U.S. 302, 312 (1971):

> We find no reference to this aspect of the case in the opinions of the District Court and the Court of Appeals. We are unsure whether it was presented below and whether, in any event, there is record support for it. Accordingly we deem it inappropriate to consider in the first instance.

In the case at bar, one will search the opinions below in vain for any reference to the prior art considered by the PTO. By invoking Fed. R. Evid. 201 in the Federal Circuit, TRI tacitly admitted that the PTO deference issue was not raised in the district court and that there was no district court record support for it.

TRI's failure to advance its deference argument in the district court was not, moreover, due to oversight or excusable in light of the later decision of this Court in *Zurko*. Even prior to *Zurko*, TRI had ample incentive in the district court to prove, if it could, that the prior art alleged by NTI to anticipate was the same as or no more relevant than the prior art considered by the PTO. If such were true, TRI could have relied upon established law that the burden of proving patent invalidity not only must be met by clear and convincing evidence, but

> [w]hen no prior art other than that which was considered by the PTO Examiner is relied on by the

> attacker, he has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job....

American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1359 (Fed. Cir. 1984). Of course, had TRI attempted the cavalier assertion made here (Petition at 4) that the prior art "OPAS" system shared certain common features with the invalidating CDR device, it would have been forced to explain away, *inter alia*, the OPAS system's lack of the claimed "called party selected code signals ... in order to classify the call." It was only later, i.e., on appeal, that TRI considered its deference argument to be immune from district court scrutiny, and only then that it asked the Federal Circuit to tackle the issue on its own — i.e., by way of "judicial notice."

In the circumstances, TRI must be presumed to have knowingly and intentionally forgone its deference argument in the district court. Whatever the other weaknesses of this argument, on this basis alone the Petition should be denied.

B. *The "Question Presented" Is Purely Hypothetical in the Context of this Case*

TRI posits the following question for consideration, whether by the Court or by the Federal Circuit:

> When courts adjudicate the validity of patent claims, whether and to what extent deference is to be given a

> prior patentability determination by the United States Patent and Trademark Office.

Petition at i.

In its seven (7) page Petition, TRI makes no attempt to explain what factual issues were presented to the PTO for consideration, much less what "prior patentability determination[s]" were made and arguably entitled to deference. In addition, neither the district court nor the Federal Circuit made any factual findings as to any disputed matter (*see supra* note 1), with the result that it was not even possible to accord deference to the factual finding of an administrative tribunal.

TRI's silence leaves the Court in a hypothetical quandary. Is TRI urging that some new deferential standard should apply when the exact same factual issues were addressed and determined by the PTO as were addressed and determined in the court(s) below? If so, then the facts of this case, i.e., where the district court was not even asked to consider the PTO prosecution history of the '416 patent, provide a singularly inapt context for appellate determination. Moreover, and as noted *supra*, established law, not here criticized by TRI, already defines the heavy burden borne by a party that relies upon

> no prior art other than that which was considered by the PTO Examiner ... he has the added burden of overcoming the deference that is due to a qualified

> government agency presumed to have properly done its job.

American Hoist, 725 F.2d at 1359.

On the other hand, if TRI is suggesting that some broader deferential standard should apply, for example where the PTO never considered the prior art relied upon in the court below, then existing and controlling law, as well as simple common sense, would seem unassailable, i.e.:

> When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence not considered in the PTO, there is, however, *no reason to defer to the PTO* so far as its effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law;....

Id. at 1359-60; emphasis added. That is exactly what happened in the present case, where the prior art CDR, once made known to the district court, resulted in a holding of invalidity as a matter of undisputed fact and law.

In sum, TRI offers no more than broadly stated platitudes about court interpretations and determinations that were "inconsistent" with the "PTO's prior determination." Whether because it is unable (which it is, *see supra* p. 11), or even unwilling (which dictates the same result), TRI points to nothing in the record which would aid the Court in defining

the real issue presented by the facts of this case. The question presented is, in a word, hypothetical.

C. *The Question Is Unworthy Of Review on the Merits*

Even if the question presented were definable in the context of the district court record, and even if it had been raised in a timely manner, it would still be unworthy of consideration by this Court or the Federal Circuit.

Although TRI does not expressly so state, it is clear from its Petition that TRI is asking that some higher standard of deference be accorded PTO "determinations" of patentability. Here TRI attaches significance to the recent decision of this Court in *Zurko* which by its language is limited to direct appeals to the Federal Circuit of PTO patent "denials." In the limited context of such direct appeals — which by definition would be on the exact same record underlying the PTO denial — this Court held that the standard of review mandated by 5 U.S.C. § 706 should apply (i.e., whether the administrative agency's factual determination was arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence).

While TRI is not so bold as to so state, apparently it would have a similar standard applied in situations where a patent actually issues. Under such a standard, regardless of the level of proof adduced by an accused infringer in the district court, a patent would withstand an attack on its

validity unless it were determined that the PTO, on the record before it, acted arbitrarily, etc., when it allowed the patent to issue. The implications of such a fundamental change in our patent system are too numerous to list, but include the following:

(a) The patent statute itself, 35 U.S.C. 282, contemplates challenges to patent validity. If an "arbitrary, capricious ..." standard of deference were applied to the PTO's mere act of issuing a patent, the invalidity defenses permitted and encouraged by Congress would be eviscerated.

(b) "[T]he important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain" (*Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969)), would likewise be thwarted. As noted in *Lear*,

> A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office. Moreover, the legal conclusion *is predicated on factors as to which reasonable men can differ widely.* Yet the Patent Office is often obliged to reach its decision in *an ex parte proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.*

395 U.S. at 670 (emphasis added). The standard TRI advocates would insulate all patents from the evidence and arguments advanced in *inter partes* proceedings.

(c) Regardless of what label may be applied to, or what language may accompany, a PTO decision to allow a patent to issue, in actual fact there is never a PTO "determination" of patentability. The patent statute does not require that the PTO make an affirmative determination of patentability; rather it could not be clearer in providing that "[a] person *shall* be entitled to a patent *unless* ..." at least one of the expressly defined bars to patentability are found by the PTO to exist. 35 U.S.C. § 102 (emphasis added). Thus at most, and pursuant to statute, the PTO is charged with the duty of determining whether a *bar* to patentability exists, and in the absence of such a bar the PTO is *required* to cause the patent to issue. The application of an "arbitrary, capricious ..." standard to what is not even a determination of patentability defies not only logic, but common sense. The case at bar is an apt example. The PTO was never apprised of the existence of NTI's prior art CDR system, and hence did not invoke a bar to patentability based on the CDR. The '416 patent issued not because the claimed invention was patentable, or even determined by the PTO to be patentable, but because the statutory bar was unknown to the PTO. Under an arbitrary or capricious standard of review, where the PTO action on the record before it might be beyond reproach, even the most flawed of patents might survive.

IV. *CONCLUSION*

For the foregoing reasons, it is respectfully submitted that TRI's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

Robert Neuner
Richard S. Clark
Henry Y.S. Tang
BAKER BOTTS L.L.P.
30 Rockefeller Plaza
New York, NY 10112
(212) 408-2500

Attorneys for Northern Telecom Inc.

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